

150 FERC ¶ 61,110
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
Norman C. Bay, and Colette D. Honorable.

Southwest Power Pool, Inc.

Docket No. ER15-714-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued February 19, 2015)

1. On December 23, 2014, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's rules and regulations,² Southwest Power Pool, Inc. (SPP) submitted proposed revisions to its Open Access Transmission Tariff (Tariff) to clarify the circumstances under which mitigated offers may be adjusted during the operating day (i.e., the intra-day period). In this order, we accept SPP's proposed revisions, effective February 21, 2015, as requested.³

I. Background

2. In the SPP Integrated Marketplace, SPP market participants submit mitigated resource offers each day, which represent the resource's short-run marginal cost of production. Market participants may also submit market-based resource offers that differ from the mitigated resource offer, at their discretion. If a resource offer is mitigated during SPP's automated market power mitigation process, its offer is replaced with its mitigated offer. Pursuant to SPP's Tariff,⁴ the SPP Market Monitoring Unit (Market

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. § 35.13 (2014).

³ Southwest Power Pool, Inc., FERC FPA Electric Tariff, Open Access Transmission Tariff, Sixth Revised Volume No. 1, [Attachment AF Section 3, Attachment AF Section 3, 6.1.0](#).

⁴ See SPP Tariff, Attachment AF §§ 3.2, 3.3, 3.4, and 3.5.

Monitor) reviews costs included in mitigated offers to ensure that these offers adhere to definitions and formulas contained in the Tariff and are otherwise acceptable.⁵

3. Under the current Tariff, market participants have until the close of the day-ahead market (11:00 AM Central) to update their mitigated offers, which consist of several components, including energy, start-up, no-load, and operating reserve offers. If a resource does not receive an energy award in the day-ahead market, a market participant may update its resource's mitigated offer before the commencement of the day-ahead Reliability Unit Commitment (RUC) process. The current Tariff permits intra-day adjustments to mitigated energy offers if a market participant incurs higher fuel costs due to the extension of a commitment by SPP.⁶ The Tariff is silent about intra-day adjustments to start-up, no-load, and operating reserve mitigated offers in this circumstance. Market participants must consult with the Market Monitor to make other types of intra-day adjustments to mitigated offers.⁷

II. SPP Filing

4. On December 23, 2014, SPP submitted revisions to Attachment AF (Market Power Mitigation Plan) of its Tariff to clarify the circumstances under which mitigated offers may be adjusted during the operating day. Specifically, SPP proposes revisions to sections 3.2(E), 3.3(F), and 3.4(F) in Attachment AF to make explicit a market participant's ability to adjust, during the intra-day period, its mitigated energy, start-up, no-load, and operating reserve offers under the following circumstances: (1) a market participant incurs higher fuel costs due to a commitment extension by SPP; or (2) a market participant experiences an unexpected need to change fuel types.

5. Additionally, SPP proposes changes to sections 3.2(E) and 3.3(F) in Attachment AF to state explicitly that market participants employing "quick-start" resource⁸ logic may reflect their start-up and no-load costs in their mitigated energy offer curves. SPP asserts that these revisions are just and reasonable because they clarify that the Tariff does not conflict with the Mitigated Offer Development Guidelines, contained in Appendix G of the Integrated Marketplace Protocols (Market Protocols). The Market

⁵ Market Monitor Comments at 1-2.

⁶ See SPP Tariff, Attachment AF § 3.2(E). See also SPP Transmittal at n.15.

⁷ Market Monitor Comments at 2. See also SPP Integrated Marketplace Protocols, Appendix G (Mitigated Offer Development Guidelines) § 1.6.

⁸ A quick-start resource is a resource that can start, synchronize, and generate electricity within 10 minutes of notification from SPP. SPP Tariff, Attachment AE § 1.1 (Definitions-Q).

Protocols provide that quick-start resources that elect to use SPP's quick start logic are permitted to include start-up and no-load costs in their incremental energy offers.⁹

6. Finally, SPP proposes revisions to section 3.4(F) in Attachment AF to permit resources with differences between their regulation and economic capacity operating limits to reflect their "uncompensated costs" in the real-time market.¹⁰ SPP asserts that the inclusion of these costs in the mitigated regulation offers ensures the most economic allocation of regulation service among SPP's regulation-capable resources. Further, SPP claims that these revisions are just and reasonable because they clarify that these resources have the ability to make these calculations under the Tariff.¹¹

7. SPP states that its proposal was analyzed and approved through the SPP stakeholder process and approved by the SPP Board of Directors at its October 28, 2014 meeting.¹² SPP requests that its proposal become effective February 21, 2015, which it states is not less than 60 or more than 120 days after submission of its filing.¹³

III. Notice of Filings and Responsive Pleadings

8. Notice of SPP's filing was published in the *Federal Register*, 80 Fed. Reg. 214 (2015), with interventions and protests due on or before January 13, 2015. Timely motions to intervene were filed by: South Central MCN, LLC; Sunflower Electric Power Corporation and Mid-Kansas Electric Company, LLC; Exelon Corporation; Golden Spread Electric Cooperative, Inc.; American Electric Power Service Corporation, on behalf of its affiliates Public Service Company of Oklahoma and Southwestern Electric Power Company; and the Market Monitor. Xcel Energy Services, Inc. (Xcel), on behalf

⁹ SPP Transmittal at 4-5.

¹⁰ As explained in its comments, the Market Monitor states that a resource with economic capacity operating limits outside of its regulation capacity operating limits incurs costs that are not always accounted for by the market clearing engine for energy and ancillary services. The Market Monitor refers to these incurred costs as the "uncompensated costs" of providing regulation products. Market Monitor Comments at 5.

¹¹ SPP Transmittal at 5.

¹² *Id.* at 2-3.

¹³ *Id.* at 5.

of its affiliate Southwestern Public Service Company (SPS), submitted an out-of-time motion to intervene.¹⁴ The Market Monitor and Xcel submitted comments.

9. The Market Monitor supports the proposed Tariff revisions. The Market Monitor states that market participants that incur higher fuel costs due to a commitment extension during the operating day should reflect those costs in mitigated start-up, no-load, and operating reserve offers, similar to the current provision that applies to mitigated energy offers. The Market Monitor also asserts that all market participants should adjust mitigated energy, start-up, no-load, and operating reserve offers given the unforeseen need to change fuels during the operating day.¹⁵

10. The Market Monitor contends that additional exceptions to allow for intra-day adjustments of mitigated offers are necessary for quick-start resources and certain regulation resources due to limitations in SPP's clearing engine. According to the Market Monitor, it is not necessary to capture start-up and no-load costs in mitigated energy offer curves for quick-start resources in the day-ahead market, nor is it necessary to capture uncompensated costs in mitigated regulation offers. The Market Monitor asserts that, in both cases, adjustments are more appropriately made in the real-time market.¹⁶

11. The Market Monitor explains that SPP deploys quick-start resources in two ways: (1) through the unit commitment processes in the day-ahead market, day-ahead RUC, and intra-day RUC, using a resource's three-part offer (energy, start-up, and no-load); and (2) through being dispatched from an offline state by the economic dispatch process in the real-time market (referred to as "quick-start logic"). The Market Monitor states that the quick-start logic requires consideration of a quick-start resource's full costs (i.e., start-up, no-load, and incremental energy costs); however, the economic dispatch market engine only utilizes energy offer curves. The Market Monitor asserts that this discrepancy creates a need for differential treatment of a quick-start resource's mitigated offer between the day-ahead and real-time markets.¹⁷

12. In the case of SPP's proposal to allow certain regulation resources to reflect uncompensated costs in real-time regulation offers, which requires an intra-day change to

¹⁴ Xcel initially submitted a timely motion to intervene and non-public comments on January 13, 2015, which it later indicated were erroneously filed. Xcel subsequently filed an out-of-time motion to intervene and public comments on January 16, 2015.

¹⁵ Market Monitor Comments at 3.

¹⁶ *Id.*

¹⁷ *Id.* at 4.

the mitigated offer, the Market Monitor states that, to provide regulation service, the resource may be required to ramp up from its minimum economic capacity operating limit to its minimum regulation capacity operating limit at a cost that is not captured in the clearing of the real-time market. Similarly, the Market Monitor asserts that there are costs associated with a resource ramping down to provide regulation service. According to the Market Monitor, the inclusion of these costs in mitigated regulation offers ensures more economic allocation of regulation service among SPP's regulation-capable resources.¹⁸

13. The Market Monitor further explains that the differential treatment of regulation resources between the day-ahead and real-time markets occurs due to differences in the commitment processes employed by SPP in these markets. The Market Monitor states that the day-ahead market clearing engine includes both unit commitment and economic dispatch processes, which allow the engine to consider the economic impact of changes in operating limits when committing and clearing resources for regulation and energy. In contrast, the Market Monitor states that the real-time market clearing engine separates the unit commitment and economic dispatch processes. The Market Monitor explains that in the real-time market, a resource is selected for potential clearing of regulation prior to the operating hour, which is when it is moved to its regulation operating limits. According to the Market Monitor, during the operating hour, regulation and energy clearing is determined every five minutes within the regulation operating limits. The Market Monitor states that a market participant must estimate uncompensated costs and adjust its regulation offer to adequately reflect the economics of the real-time clearing process.¹⁹

14. While supportive of SPP's proposed Tariff revisions, Xcel contends that SPP's proposal lacks clarity that would permit External Dynamic Resources²⁰ supplied from a portfolio to make intra-day adjustments to mitigated offers.²¹ Xcel explains that SPS had a registered External Dynamic Resource in the SPP market over a direct current tie line that was served from a portfolio of generation resources controlled by the seller. Xcel claims that SPP's market rules precluded SPS from revising the mitigated offer price for

¹⁸ *Id.* at 5.

¹⁹ *Id.* at 5-6.

²⁰ An External Dynamic Resource is a registered resource that represents one or more resources, located external to the SPP balancing authority area, which is dynamically scheduled into or out of the SPP balancing authority area. SPP Tariff, Attachment AE § 1.1 (Definitions-E).

²¹ Xcel states that this issue was discussed during the stakeholder process but was not advanced in SPP's filing. Xcel Comments at 3.

this resource when the External Dynamic Resource's price changed due to load and generation fluctuations on the seller's system. Xcel asserts that the inability to change the mitigated offer on an intra-day basis due to variations not accounted for in the SPP dispatch system resulted in SPS withdrawing its resource, thus reducing the number of resources available in the Integrated Marketplace.²²

15. Rather than preclude these resources from participating in the market, Xcel suggests that SPP could revise its Tariff to include "[External Dynamic Resources] that are supplying energy from a portfolio source" in the description of resources that can make intra-day adjustments to offers. Xcel asserts that this provision would permit greater flexibility to allow External Dynamic Resources to participate in the Integrated Marketplace, which Xcel states would increase the number of resources in the market and thus afford greater economic dispatch and lower energy costs in the SPP region. Xcel requests that the Commission direct SPP to address adjustments to External Dynamic Resource mitigated offers in a compliance filing due six months after issuance of an order.²³

IV. Discussion

A. Procedural Matters

16. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

17. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), we will grant Xcel's late-filed motion to intervene and comments given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

B. Substantive Matters

18. We accept SPP's proposed Tariff revisions, as discussed below. We find that the specific circumstances described in SPP's proposal warrant allowing market participants to make intra-day adjustments to their mitigated offers without first seeking approval from the Market Monitor in order to better represent the short-run marginal costs of production for their resources. We agree with SPP and the Market Monitor that it is reasonable to extend a market participant's ability to make intra-day adjustments to start-up, no-load, and operating reserve mitigated offers to reflect short-run marginal costs

²² *Id.* at 3-4.

²³ *Id.* at 4.

more accurately when a market participant experiences higher fuel costs due to a commitment extension by SPP. Similarly, we find it reasonable to permit resources to update their mitigated offers when they need to change fuel types unexpectedly during the operating day. We also agree with the Market Monitor that, in the case of quick-start resources and certain regulation resources, adjustments to mitigated offers are made more appropriately during the operating day, given the issues with reflecting such costs in the market clearing engine described by the Market Monitor.²⁴

19. We reject Xcel's request to require SPP to revise its Tariff to include "[External Dynamic Resources] supplying energy from a portfolio source" in the description of resources that can make intra-day adjustments to mitigated offers. We find that Xcel's proposal is beyond the scope of this FPA section 205 proceeding. The Commission is tasked with reviewing SPP's filed proposal and determining whether it is just, reasonable, and not unduly discriminatory or preferential. Further, the record does not contain sufficient evidence to make a determination on Xcel's proposal. We encourage SPP to continue working with its stakeholders to further refine its Tariff, based on market experience and reasonable need.

The Commission orders:

SPP's proposed Tariff revisions are hereby accepted effective February 21, 2015, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²⁴ We note that there is a typographical error in proposed section 3.3(F)(3) of Attachment AF. Specifically, the word "in" in the phrase "development guidelines Appendix G of in the Market Protocols" should be deleted, and the word "in" should be inserted between "guidelines" and "Appendix G" in this phrase. We encourage SPP to correct this minor error in its next Tariff filing or a future ministerial clean-up filing.